Suds law as Unilever machine goes into murky spin

SOMETHING seems to have got into the water at Unilever. The multinational once famed for press conferences where the journalists would run out of anything interesting to ask yesterday splashed out £488m on deodorants and hair-care products with names meaningless to its European investors.

Suave, Finesse and Quantum may go down a storm in North America, but the shareholders here are taking a lot on trust when their directors are paying 40 times earnings for the company that makes them, Helene Curtis.

This is only the latest of the excitements at the Anglo-Dutch giant. Last week, it slipped out a £225m restructuring with hundreds of job losses to follow. The week before, it picked up Allied Domecq's 75pc stake in tea business Lyons Irish Holdings for £73m. The week before that it spent £360m on Deversey, a Canadian cleaning products manufacturer. In the context of Unilever, none is massive but the all add up.

The pace of the deals looks odd and yesterday's share price fall of 17p to £12.73 may well reflect the market's bemusement as much as the price it is forking out for Helene Curtis. The future at Unilever was meant to lie with Niall Fitzgerald in the chair at the British end and management restructuring. But Mr Fitzgerald does not even get there until September.

The Unilever machine is not exactly squeaky clean at present, after the Persil Power debacle in Europe and being left in the dirty washing-up water by Procter & Gamble in North America. In its European heartland, volume growth is sluggish and the German and French economies are looking more lacklustre by the day.

While profits poured out, the impenetrable Unilever facade did not matter much. But the new round of restructuring—the third since 1990—looks increasingly like a cry of pain, while the flurry of deals merely generates confusion. There is plenty of explaining to do at next week's results.

Standby for stormy weather on inflation

HERE is the weather forecast from the Bank of England. A cloudbank full of money is accumulating over Britain. Experience shows that when this kind of cloud builds up, eventually it rains inflation. However, we can't be sure when. So for now we expect the weather to be dry and sunny, on the balance of probabilities, as shown on our pretty new weather map in shades of scarlet. Further outlook: changeable.

With this fair-weather forecast the Bank marks half a century of public ownership—50 years which have debauched the currency and made a mockery of the promise that the Bank still prints on its notes. Asked whether there had been a correlation, yesterday it could only agree. It would like to believe

CITY COMMENT

that the climate is improving. Today it peers over the top of its windowless wall and sees the prospects brightening.

The economy has been growing more slowly, companies are running down their stocks, some of our export markets have been seizing up—not exactly cheering news, but not the conditions that stoke up inflationary pressures. The Bank now thinks it more likely than not that the government's target for inflation—2½pc, two years out—will be hit.

Hitting it time after time would be another story. Later this year growth will be on its way up again, the Bank says, led by higher earnings and by spending in the shops. Anyone might think there was an election coming.

There is plenty of money about. Broadly speaking—that is, including money in the banks and building societies—the money supply is growing at a rate of 10pc a year, and this growth rate has been speeding up.

What determines inflation, in the long run, is the growth of money. Mervyn King, the Bank's economic director, said so yesterday. How long the run is, nobody can say. This leads ministers to hope that they have managed to repeal the law of physics, but when the economy heats up and the clouds above are full of money, down will come the rain. How often have we to see it before we believe it? Don't leave home without your umbrella.

German depressant on Lloyds Chemists

FEW investors will be holding their breath to learn the level of acceptances of the UniChem bid for Lloyds Chemists today. The bid is already dead in the water, thanks to the intervention of Gehe, the German owner of AAH, another big wholesaler of pharmaceuticals. Unfortunately for UniChem, the company is skewered on the Takeover Code rules, and must extend or raise the bid if it is to stay in the game.

Gehe has offered a higher bid, but with its advisers Morgan Grenfell seems to be turning procrastination into an art form. It took its time before announcing the terms, and has still to issue an offer document, even though the bid is a straightforward all-cash affair. Until publication, the Takeover Code clock is not even running.

So far, Gehe has not even had to go to the bother of printing its document, let alone the expense of buying the Lloyds business. If it can push UniChem into paying top dollar, it might not even have to trouble the printer. UniChem, meanwhile, is incurring costs because of its need to underwrite the shares which help pay for Lloyds.

Gehe seems to be sitting pretty at present. UniChem can afford to pay more, but in order to top the Gehe offer, much of the benefits of the takeover would go to the Lloyds shareholders, and UniChem would be a financially feebler competitor to AAH. This game can continue for nearly another three weeks before Gehe must publish its offer. It is perfectly legal, elegant way of weakening a competitor, but is hardly what the takeover rules were designed for.

THE 1-for-4 swap of directors at National Westminster Bank will not make the boardroom too lonely for the survivors, as there would still be 17 if they all turned up for the meetings. Set against the 31 that Lord Alexander inherited when he became chairman—how did they all get round the table?—yesterday's move might look like the completion of a St Valentine's Day massacre, but it mainly serves to show how bullet-proof these non-executive directors can be. Sir Edwin Nixon, 70, warranted an embarrassing mention in the Blue Arrow despatches, while Baroness Young (70 this year, and no relation) has been the token woman on the NatWest board since 1987, after a career in politics. Sir Richard Butler, a spring chicken at 67, is a farmer and jolly good chap. They all sound like a distant echo from another age.

Wall Street slides on profit-taking

WALL Street's rise came to an abrupt halt last night as investors rushed to take some profits, prompting the Dow Jones industrial average to close down 27.68 at 5579.55.

Investors were upset by a slide in the US Treasury bond market where the benchmark 30-year US Treasury bond fell ¾ a point, pushing up the yield to 6.08pc. Until yesterday, the Dow has recorded seven consecutive record highs and is up 8pc so far this year.

Media merger

THE MAI and United News & Media £5 billion merger will cost about £30m in fees and stamp duty, according to the offer document. An extraordinary general meeting is being called on March 1 in London for shareholders to approve the merger and, at the same time, to increase the size of the combined group board.

Deadline move

THE Monopolies and Mergers Commission has had its deadline to complete an investigation into the supply of electrical goods extended. The commission was due to report on April 30 but Ian Lang, trade secretary, yesterday extended the deadline to October 31.

Revenue rules

THE Inland Revenue was challenged yesterday to provide guarantees that new self-assessment tax rules will not penalise taxpayers. Gerry Hart, president of the Chartered Institute of Taxation, said there was rising concern that regulations will not be ready for the April 6 start.

Redland slips

SHARES in Redland, the building materials group, fell 8 to 411p after its German roof tiles subsidiary warned that turnover declined by 4.7pc to Dm2.16 billion (£985m) last year.

Thorn award

THORN EMI, the music and rentals group, yesterday won the environmental reporting awards made by the Chartered Association of Certified Accountants for the second year in a row.

Gold demand

GOLD demand was 5pc lower, at 434 tonnes, in developing markets, in the fourth quarter of 1995, according to the World Gold Council, an association of gold producers.

Pensions deal

SCOTTISH Life announced yesterday that it will not impose a time bar on any claims made by policyholders as a result of the mis-selling of personal pensions. The move follows the lead set by six British banks earlier this week.

Finance chief

BILL Fairclough, 45, has been appointed as a director of finance at BarclayTrust with responsibility for finance, risk, corporate governance and resources.

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The Daily Telegraph

BT set for tariff price war after watchdog agreement

By Roland Gribben
Business Editor

CONTROLS over telephone rentals were scrapped yesterday as British Telecom won freedom to produce new tariff packages and increase the tempo of the price war with Mercury and cable television companies.

BT accepted proposals from Don Cruickshank, the industry regulator, to remove limits on price rises for telephone rentals in return for abandoning access deficit contributions paid by other operators.

The change opens the way for BT to juggle tariff packages that could involve reductions in call charges of between 20pc and 25pc in return for higher tariffs.

Other alternatives under review involve a mixture of low rentals and dearer call charges.

At present rental charges account for around a third of the typical bill.

But BT was involved in fresh controversy with Mercury over other proposed changes. The company wants to impose a £1 a month penalty on customers accepting a low rental package and then switching to other operators offering cheaper calls.

BT said: "We want to protect ourselves against a customer taking advantage of low rentals because this involves some subsidy. We would lose out if they used another company for their calls."

Peter Howell-Davies, chief executive of Mercury, said the company would resist any moves that restricted competition and customer choice. "We would be opposed to any proposals to make customers pay for access to other operators' services," he added.

He said Mr Cruickshank should act to close what he described as a "serious loophole" in BT's licence.

Mercury will benefit from the disappearance of the deficit charge, the payment made by operators to help compensate BT for losses on connections and rentals. The company, the only operator to make the payment, has been stumping up about £50m a year.

The relaxation in price controls over rentals is the latest move in a long-running regulatory battle between Mr Cruickshank and BT.

At present BT is able to raise rentals by 2pc above the inflation rate. The licence changes remove the controls but any rental changes must be covered by the broader price cap which means BT has to keep movements within an inflation minus 7½pc formula.

● BT yesterday welcomed a commissioned survey showing that the prices it charged for rivals to use its telecommunications network were the lowest among 11 companies studied. Ovum, the research and consulting company, said BT charges were 15pc lower than its nearest rival and 75pc lower than the most expensive operator.

'Creative block' causes PolyGram to lose beat

By Mary Brasier
European Business Editor

MUSIC and film group PolyGram missed a beat last year with profits up by a modest 3.6pc to 741m guilders (£392m) after a difficult second half dominated by currency losses and a lack of hit records or films.

Despite booming conditions in the UK pop market, a rising market share in the US and a jump in operating margin, PolyGram was tripped up by lower-than-expected sales of its main albums and delivery delays on others. Chairman Alain Lévy defended the creative block by some of PolyGram's top artists which disrupted plans for new releases and led to a small fall in pop record sales.

"Our business is about talent not product and talent has to be satisfied with their creation. We also had lower sales of top albums. I would hardly call it catastrophic, it is not a downturn, simply a mediocre result compared with what we are used to." Bryan Adams, Sting and the Cranberries are expected to come to PolyGram's rescue with new records in 1996 and Mr Lévy said the UK was continuing to produce successful new groups to replace even Take That.

The 1995 figures followed a warning in December from the company, which is controlled by Dutch electronics group Philips, that profits would fall below expectations. "We depend on big hits in music and movies for excellent results. 1995 was sluggish but not atypical of creative organisations," said Mr Lévy. The strength of the Dutch currency, linked to the German mark, meant that while sales in sterling terms were 12pc higher, they rose only 2.3pc in guilders.

PolyGram films, which made an increased loss of 68m guilders (£36m) on 39 releases worldwide, has received a boost from this week's Oscar nominations for two of its films, Dead Man Walking and Richard Dreyfus in Mr Holland's Opus. PolyGram is considering acquisitions, particularly to add a distribution network, but Mr Lévy said he would neither overpay nor rush into a deal while the group's production was still quite small.

The dividend is increased by 11.8pc to 95 cents.

PolyGram chairman Alain Lévy, right, and vice president Jan Cook reported a 3.6pc rise Picture: SOPHIA EVANS

Farnell bid for Premier in the balance

By Andrew Edgecliffe-Johnson

FARNELL Electronics' £1.85 billion bid for Premier Industrial was on a knife edge last night, with few analysts willing to predict which way shareholders will vote in today's extraordinary general meeting at the company's headquarters in Wetherby, Yorkshire.

The electronic parts distributor needs 75pc or more of the votes to be cast in favour of the deal, which would more than double its size. One analyst said yesterday: "The management would be compromised if it lost the vote." Investors who are supporting the acquisition warned that, having staked so much on the Premier deal, chief executive Howard Poulson and his board may find their positions undermined by a defeat.

Investors and analysts alike complained yesterday that they have been swamped with telephone calls from American shareholders in both Farnell and Premier, a US distributor of electronic parts, who are trying to gauge which way the vote will go.

Premier's share price fell in the United States yesterday, as investors worried about the outcome. "We are waiting anxiously," one Premier shareholder said yesterday: "Farnell has got to motivate its small institutions to win."

Farnell's shares picked up 2p yesterday to 657p, but were still 42p below their level before the deal was announced.

Standard Life and Legal & General, which together hold 3½pc of the shares, have opposed the deal, and analysts said the success or failure of the Premier deal now hinges on which way two other institutional shareholders—Prudential and Standard Life—vote.

Merrill Lynch analyst David Greenall warned in a broker's note: "A negative vote on Thursday would hit the share price in the short term. Farnell would be a clear bid target."

Adviser 'believed Nadir was honest'

By John Steele
Crime Correspondent

ELIZABETH Forsyth, a former adviser to Asil Nadir accused of laundering money stolen from his public company, regarded him as a successful entrepreneur who lunched regularly with Margaret Thatcher and did not believe he might be a thief, an Old Bailey jury was told yesterday.

Forsyth, 59, who withdrew £400,000 in cash from a Swiss bank and used it to pay off private Nadir debts, had no reason to believe the money was stolen from Polly Peck International, Geoffrey Robertson QC, defending, said.

The evidence might show that the £400,000 drawn from Polly Peck was in fact not stolen, as alleged by the Serious Fraud Office, but was covered by an equivalent payment into a Turkish Cypriot subsidiary, he added. But even if the prosecution did convince the jury that Mr Nadir was stealing Polly Peck money, it still had to prove that Mrs Forsyth dishonestly helped him.

Mrs Forsyth had openly declared in the records of Mr Nadir's private company that some of the money was used to buy semen to improve the testosterone in bulls on his farm in Leicestershire.

Mr Robertson urged the jury, who have to be sure Mr Nadir was a thief before considering Mrs Forsyth's role, to ignore the publicity about him since he left England in 1993 while facing "a number of charges relating to Polly Peck" and give him the fairest possible trial.

"At the end of the trial we will say that Elizabeth Forsyth was not a laundress, or a washerwoman of any kind. And it may be that Asil Nadir had no dirty linen to wash."

In 1989, when Mrs Forsyth is alleged to have handled the stolen funds, Mr Nadir was one of Britain's wealthiest men.

"He was fawned upon by the Conservative party. He frequently lunched with Mrs Thatcher at Downing Street. He entertained Cabinet ministers at his table and donated large sums of money to the Conservative party.

"Would Elizabeth Forsyth have believed, you may ask, that this man was a thief, when she saw him coming back from lunches with the Prime Minister?" Moreover, she saw that the accountants Stoy Hayward "declared year after year, after the most careful consideration, that nothing was wrong with Polly Peck or the way Asil Nadir was managing it".

Mrs Forsyth, of Great Dunmow, Essex, had raised a family and spent a career in banking, finding herself looking after the affairs of "filthy rich" clients at Citibank in 1987.

She went to work for Mr Nadir, one of the richest customers, running a company called South Audley Management, which controlled his and his family's personal finances, on a salary of £45,000.

David Calvert-Smith, prosecuting, suggested the jury could infer she knew or believed the £400,000 was stolen because of the unnecessary risks, of loss, theft or robbery, which she took in withdrawing the cash from one Swiss bank, keeping it overnight and then depositing the bulk in another before bringing the rest to London.

But Mr Robertson said she had been sent to Geneva by Mr Nadir to pursuade bankers holding his shares in Polly Peck as loan security not to sell them when the share price dipped.

When he asked her to move the £400,000 to pay off a stock-broking debt and to finance the bull semen for his farm, there was nothing in the transfer "to alert her to the fact, if it was a fact, that the money did not belong to Nadir's family, or was stolen money".

Mrs Forsyth denies two charges of handling stolen goods—sums of £307,000 and £88,050. The case continues.

Apple chief set for $2·5m salary deal

By Kate Rankine in New York

GIL Amelio, the new chairman and chief executive of the deeply troubled US computer maker Apple Computer, is to be paid at least $2·5m (£1·6m) a year in salary and bonus.

Depending on how Apple's share price performs during his tenure, Mr Amelio, 52, could receive a total pay package of $10m to $12m a year for the next five years.

"It's an outstanding package, one of the best in the country," said Pearl Meyer, who runs Pearl Meyer & Partners, a New York compensation consulting firm. It is also considerably more than the $1·4m earned by his predecessor Michael Spindler, who was fired two weeks ago.

If Apple is taken over within the next year, Mr Amelio is guaranteed a $10m "golden parachute" payment. A takeover of Apple is not out of the question.

Before Mr Amelio's recent appointment, the company held detailed merger talks with California-based Sun Microsystems, best known for its up-market work stations. The disclosure of Mr Amelio's pay is contained in a recent filing with America's Securities and Exchange Commission and comes as the company is in talks with its lenders about obtaining alternative sources of financing.

Apple's financial problems has forced it to suspend its quarterly dividend, and extend the payment period for some of its vendors in order to conserve cash. It lost $69m (£45m) in its first quarter ending December, which should be its busiest time of the year. Some 1,300 jobs will go and further job losses are expected.

Mr Amelio, who is regarded as a turnaround expert on Wall Street, is being paid 42pc more than he earned as chairman and chief executive of National Semiconductor, a Silicon Valley chip maker. He also received a signing on bonus of $200,000.

An Apple spokeswoman said Mr Amelio's pay was "appropriate and reasonable" in order to attract someone of his expertise.

Expansion strategy at Lloyds Abbey Life

By Nils Pratley

LLOYDS Abbey Life, the life assurer, yesterday announced plans to expand aggressively as it unveiled a leap of 31pc in annual pre-tax profits to £421m, despite operating in a market that it said had fallen 15pc in the last year.

The group said the turmoil in the life and pensions industry, in the wake of the scandal of missold pensions, had created opportunities to grow. Chief executive Stephen Maran said: "We will look to acquire either a distribution arm or look to buy a life company."

However, he signalled that a purchase of a mutual insurer was unlikely. "The prices they think they are worth may be a little high these days," he said.

Mr Maran also revealed that the group is holding talks with Lloyds Bank, which has a 63pc stake in Lloyds Abbey, over trading arrangements. Lloyds Abbey operates Black Horse Financial Services and Lloyds Bank Insurance to sell financial products to Lloyds Bank customers. However, TSB, which Lloyds bought in December, has its own business.

Lloyds Abbey's profit comparison was flattered by the absence of provisions to compensate customers who have been missold pensions. However, even at the underlying level, the group showed a 10pc improvement in operating profits and lifted its dividend by the same amount to 21½p. A final of 14·2p will be paid on May 7.

Despite the rising profits, Mr Maran said customers' confidence was low and they were tending to concentrate purchases on low-risk products with guaranteed returns. "Are we calling an end to the difficulties of the life market? I think 'no' is the answer. I would guess it hasn't bottomed out yet," he said.

Abbey Life lifted premium sales by 9pc.

Questor—P25

Nick Irens: trade test time

Caravan acquisition pays off for Vardon

LAST year's acquisition of Parkdean caravan parks helped leisure group Vardon, famous for its London Dungeon and Sea Life tourist attractions, to a 24pc rise in profits in 1995.

Chairman David Hudd and chief executive Nick Irens, who founded the company in 1992, yesterday reported annual pre-tax profits of £9·1m up from £7·4m in 1994, on 74pc higher sales of £52·6m.

Taking out the £2·9m first time contribution from Parkdean's nine caravan parks, underlying operating profits grew by just 8pc.

Mr Irens said: " Last year was a fairly testing trading time for us."

With the introduction of lottery scratch cards bingo attendances fell by 18pc and Vardon's indoor Sea Life Centres enjoyed 14pc fewer visitors over the hot summer months.

A third year of record attendances at its London Dungeon attraction provided some encouragement.

The final dividend of 1·25p will be payable on May 3 and brings the total for the year to 1·65p, a 10pc rise on 1994.

Questor P25

"Finance chief." Daily Telegraph, 15 Feb. 1996, p. 23. The Telegraph Historical Archive, link.gale.com%2Fapps%2Fdoc%2FIO0700900679%2FTGRH%3Fu%3Dbritstaff%26sid%3Dbookmark-TGRH. Accessed 22 Sept. 2025.